

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION
INDUSTRIAL DEVELOPMENT BONDS**

Meeting Date: April 23, 2008

Request for Initial and Final Resolution and Tax Exempt Bond Allocation Approval

Prepared by: *Deanna Hamelin*

Issuer:	California Statewide Communities Development Authority (CSCDA)	Amount Requested:	\$3,588,000
Borrower:	Boxes R Us, Inc. and/or affiliates	Application No.:	08-0009
User:	Boxes R Us, Inc. and/or affiliates	IR & FR No.:	08-0009
Location:	City of Industry (Los Angeles County)	Allocation Resolution No.:	08-0009A

Borrower/User/Background: Boxes R Us, Inc. (the “Company”), doing business as Ultimate Paper Box Company, was incorporated in California in January of 2000. The Company is 50% owned by Janak Patel and 50% owned by Dipak Patel. The Company is a manufacturer of folding cartons and provides printing and packaging services. Its customers are from a variety of industries, including food products, cosmetics, electronics, and hardware manufacturers and packaging brokers.

Project Information: The Project consists of the purchase of a new KBA Rapida 162a Sheet-fed Offset Press. The new printing press will replace two existing printing presses, a 23 year-old MAN Roland 800 and a 19 year-old KBA Varimat 77. The new printing press has an expected life of 30- to 40-years, and it will allow the Company to better serve its customers by increasing production output and by increasing production pace by 20% over current production pace.

The new printing press will be installed at the Company’s plant in the City of Industry, which the Company owns.

Anticipated Timeline: The installation of the new printing press is anticipated to begin on May 15, 2008 and is anticipated to be completed by June 15, 2008.

Prior Actions/Financing: None.

Statutory Criteria: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification. Points have been awarded based on evaluation consistent with CDLAC guidelines. CDLAC does not require the evaluation of points for all statutory criteria.

PUBLIC BENEFITS: Consistent with CDLAC guidelines, the Project was awarded a total of 18 verifiable points. Although none of the 18 points assigned is based upon the creation or retention of jobs, the Company employs 45 individuals in California and expects to hire an additional 15 people within two years of Project completion.

RELOCATION OF COMPANY OPERATIONS (No point evaluation required): The Company will remain at its current location in the City of Industry.

QUALIFICATION OF BOND ISSUANCE (No point evaluation required): Based upon the proposed finance structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

Status Of Permit/Other Required Approvals:

- CSCDA adopted an Inducement Resolution in an amount not to exceed \$5,000,000 for the Project on December 18, 2007.
- A TEFRA hearing was held by the City of Industry on February 14, 2008.
- The proposed Project is an equipment purchase only and, therefore, it does not require additional discretionary permits.

Financing Details: CSCDA will issue a tax-exempt bond on a private placement basis. People's Capital & Leasing Corp., which is a Qualified Institutional Buyer (QIB) as defined by the Securities and Exchange Commission's (SEC) Rule 144A, will purchase the bond. The Company will be using a taxable bridge loan to finance the equipment and intends to take out the taxable loan with a tax-exempt Industrial Development Bond (IDB) issue in July of 2008. The new printing press will serve as collateral for the transaction.

The bonds will be issued in accordance with CIDFAC's private placement policy, which has the following requirements:

- The bond purchaser must be a Sophisticated Investor as defined under SEC Rule 144A.
- The Sophisticated Investor must sign a "traveling" sophisticated investor letter, which will outline the requirements and restrictions and which will follow the deal in the event the bonds are sold or traded at a later date.
- The security for the private placement debt must be collateral provided by the Borrower.
- The bonds will be issued in minimum denominations of \$250,000.

Financing team:

Issuer: CSCDA
Bond Counsel: Gilmore & Bell, P.C.
Private Placement Purchaser: People's Capital & Leasing Corp.
Escrow Agent: Wells Fargo Corporate Trust Services

Legal Questionnaire: The Staff has reviewed the Borrowers'/User's responses to the questions contained in the Legal Status portion of the Application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicant.

Recommendation: Staff recommends approval of Initial and Final Resolution No. 08-0009 and Allocation Resolution No. 08-0009A for an amount equal to \$3,588,000 in tax-exempt bonds and

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in tax-exempt IDB allocation for the Issuer for the Boxes R Us, Inc. Project, subject to staff analysis and approval of final bond documents and the receipt of bond counsel's opinion, as set forth in Initial and Final Resolution No. 08-0009.

**BOXES R US, INC AND/OR
AFFILIATES**

Bond Amount: \$3,588,000

City of Industry (Los Angeles County)

Application No. 08-0009

April 23, 2008

STAFF SUMMARY – CIDFAC

Prepared by: *Deanna Hamelin*

ISSUE:

On behalf of Boxes R Us, Inc. (the “Company”), the California Statewide Communities Development Authority (“CSCDA” or the “Issuer”) requests approval of the Initial and Final Resolution No. 08-0009 and Allocation Resolution No. 08-0009A for an amount equal to \$3,588,000. Bond proceeds will be used for the acquisition and installation of a new printing press.

BORROWER/USER:

Boxes R Us, Inc. (the “Company”), doing business as Ultimate Paper Box Company, was incorporated in California in January of 2000. The Company is 50% owned by Janak Patel and 50% owned by Dipak Patel. The Company is a manufacturer of folding cartons and provides printing and packaging services. Its customers are from a variety of industries, including food products, cosmetics, electronics, and hardware manufacturers and packaging brokers.

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of the applicant.

Prior Actions and Financings. None.

PROJECT INFORMATION:

The Project consists of the purchase of a new KBA Rapida 162a Sheetfed Offset Press. The new printing press will replace two existing printing presses, a 23 year-old MAN Roland 800 and a 19 year-old KBA Varimat 77. The new printing press has an expected life of 30- to 40-years, and it will allow the Company to better serve its customers by increasing production output and by increasing production pace by 20% over current production pace.

The new printing press will be installed at the Company’s plant in the City of Industry, which the Company owns.

The anticipated Project costs are listed below. Note that cost of issuance of \$78,650 will be paid from sources of funds other than bond proceeds.

Acquisition and Installation
of New Equipment \$3,588,000
Total:\$3,588,000

Anticipated Timeline. The installation of the new printing press is anticipated to begin on May 15, 2008 and is anticipated to be completed by June 15, 2008.

Status Of Permit/Other Required Approvals:

- CSCDA adopted an Inducement Resolution in an amount not to exceed \$5,000,000 for the Project on December 18, 2007.
- A TEFRA hearing was held by the City of Industry on February 14, 2008.
- The proposed Project is an equipment purchase only and, therefore, it does not require additional discretionary permits.

STATUTORY CRITERIA: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification. Points have been awarded based on evaluation consistent with CDLAC guidelines. CDLAC does not require the evaluation of points for all statutory criteria.

- 1) **PUBLIC BENEFITS:** The staff assigned a total of 18 verifiable points to the Project as detailed below:

Community Economic Need (5 points):

Unemployment Rate of the Project Area (5 points): The unemployment rate of the county sub-area in which the project is located is 8.6%, which is 159.3% of the statewide rate of 5.4%.

Poverty Rate of Project Area (0 points): No points were awarded for the poverty rate of the Project area. To earn points in this category, the poverty rate in the Project area must be at least 110% the statewide rate. The poverty rate for this Project area was 105.8% of the statewide rate.

Special Designation Area (0 points): The Project area is not located in a special designation area.

Median Family Income (0 points): No points were awarded in this category because the median family income of the project area is not less than 80% of the statewide average.

Employment Benefits (Job Creation/Retention = 0 points): Although this Project was not awarded points for job creation or job retention, the Company represents that it currently employs 45 individuals in California and anticipates hiring an additional 15 employees within two years of completion of the Project.

Welfare-to-Work Plan (5 points): The Company provided a letter from Mr. Phil Ansell, Director of the Bureau of Program and Policy at the Los Angeles County

Department of Public Social Services, which refers to its participation in the Greater Avenues for Independence (GAIN) program. (See Attachment A.)

Health Care Benefits (0 points): No information was provided regarding healthcare benefits for the Company's employees.

Average Hourly Wage (3 points): The Company's average hourly wage is \$17.93, while the Metropolitan Statistical Area (MSA) for Los Angeles has an average manufacturing wage of \$14.89. Therefore, the Company's average hourly wage is 120.4% of the average manufacturing wage for the Los Angeles area.

Land Use/Energy Efficiency/Public Transit Corridor (5 points):

Land Use (0 points): This Project is an equipment purchase, and it does not involve the reuse of vacant land or abandoned buildings.

Energy Efficiency (5 points): The Company provided a letter from KBA North America, Inc., manufacturer of the printing press, which indicates a reduction in energy usage by 15% compared with the equipment being replaced.

Public Transit Corridor (0 points): No information was provided regarding the accessibility of public transit in relation to the Project area.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will remain at its current location in the City of Industry.
- 3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required):** Based upon the proposed financial structure and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

FINANCING DETAILS:

CSCDA will issue a tax-exempt bond on a private placement basis. People's Capital & Leasing Corp., which is a Qualified Institutional Buyer (QIB) as defined by the Securities and Exchange Commission's (SEC) Rule 144A, will purchase the bond. The Company will be using a taxable bridge loan to finance the equipment and intends to take out the taxable loan with a tax-exempt Industrial Development Bond (IDB) issue in July of 2008. The new printing press will serve as collateral for the transaction.

The bonds will be issued in accordance with CIDFAC's private placement policy, which has the following requirements:

- The bond purchaser must be a Sophisticated Investor as defined under SEC Rule 144A.

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- The Sophisticated Investor must sign a “traveling” sophisticated investor letter, which will outline the requirements and restrictions and which will follow the deal in the event the bonds are sold or traded at a later date.
- The security for the private placement debt must be collateral provided by the Borrower.
- The bonds will be issued in minimum denominations of \$250,000.

FINANCING TEAM:

Issuer: CSCDA
Bond Counsel: Gilmore & Bell, P.C.
Private Placement Purchaser: People’s Capital & Leasing Corp.
Escrow Agent: Wells Fargo Corporate Trust Services

RECOMMENDATION:

Staff recommends approval of Initial and Final Resolution No. 08-0009 and Allocation Resolution No. 08-0009A for an amount equal to \$3,588,000 in tax-exempt bonds and in tax-exempt IDB allocation for the Issuer for the Boxes R Us, Inc. Project, subject to staff analysis and approval of final bond documents and the receipt of bond counsel’s opinion, as set forth in Initial and Final Resolution No. 08-0009.

INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
INDUSTRIAL DEVELOPMENT BONDS
IR/FR #: 08-0009

WHEREAS, the California Statewide Communities Development Authority (the “Applicant”) has transmitted the application of Boxes R Us, Inc. and/or affiliates (the “Project Sponsor”) for the issuance of \$3,588,000 of tax exempt bonds under the provisions of the California Industrial Development Financing Act, and has transmitted said application to the California Industrial Development Financing Advisory Commission (the “Commission”) and the information necessary to permit review of said application by the Commission, and has informed the Commission that it has adopted a resolution declaring its intention to issue such bonds and that the City of Industry has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Authority; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the acquisition of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the principal amount of \$3,588,000; and

(b) use of the Project described in the application and the operation of the facility described in the application are reasonably necessary to prevent the relocation of substantial

operations of the Project Sponsor from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) the Bond Counsel Opinion, when ready for execution, shall be submitted to Commission staff;

(b) the final legal documents, when ready for execution, shall be submitted to Commission staff for its review. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Escrow Agreement,
- (iii) Private Purchase Agreement,
- (iv) Bond Resolution,

(v) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

(c) the Commission staff shall determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which are based the findings under Section 2. above;

(d) the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);

(e) the Commission shall receive all applicable fees prior to the issuance of the bonds, unless the bond documents indicate that such fees are to be paid from the proceeds of the bonds; and

(f) the Project Sponsor agrees to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.

**THE CALIFORNIA INDUSTRIAL DEVELOPMENT
FINANCING ADVISORY COMMISSION
RESOLUTION NO. 08-0009A
RESOLUTION TRANSFERRING A PORTION OF THE 2008 STATE CEILING
FOR QUALIFIED PRIVATE ACTIVITY BONDS FOR A
SMALL-ISSUE INDUSTRIAL DEVELOPMENT PROJECT**

WHEREAS, that the California Debt Limit Allocation Committee (“CDLAC”) awarded allocation to the California Industrial Development Financing Advisory Commission (the “Commission”) for the purpose of awarding a portion of the allocation to local and State issuers; and

WHEREAS, the Commission has the authority to transfer a portion of its allocation to local and State issuers; and

WHEREAS, the Commission has received an application (“Application”) from the California Statewide Communities Development Authority (“Applicant”) requesting a transfer to the Applicant of a portion of the 2008 State Ceiling on Qualified Private Activity Bonds (the “State Ceiling”) under Section 146 of the Internal Revenue Code of 1986, as amended, for use by the Applicant to issue bonds or other obligations (“Bonds”) for a project as specifically described in Exhibit A (“Project”) (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Procedures of the Commission Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds (the “Commission’s Procedures”)); and

WHEREAS, the Project Sponsor (as defined in Exhibit A) has represented certain facts and information concerning the Project in the Application, which the Applicant has confirmed; and

WHEREAS, in evaluating the Project and potential allocation of a portion of the State Ceiling to the Applicant for the benefit of the Project, the Commission has relied upon the

written facts and information represented in the Application by the Project Sponsor and the Applicant; and

WHEREAS, it is appropriate for the Commission to make a transfer of a portion of the State Ceiling (“Allocation”) in order to benefit the Project described in the Application.

NOW, THEREFORE, the California Industrial Development Financing Advisory Commission resolves as follows:

Section 1. There will be a transfer to the Applicant an amount of the State Ceiling equal to \$3,588,000. Such Allocation may be used only by the Applicant and only for the issuance of Bonds for the Project, as specifically described in Exhibit A. All of the terms and conditions of Exhibit A are incorporated as though fully set forth herein (this resolution, together with Exhibit A, hereinafter referred to as the “Resolution”).

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor, the Applicant and their respective successors and assigns will be bound by such terms and conditions.

Section 3. Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and, if the Executive Director determines such modification to be material in light of the Commission’s Procedures, such modification shall require reconsideration by the Commission before the Allocation may be used for the Project. Once the Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by the Commission through an action for specific performance or any other available remedy, provided however, that the Commission agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of the Bondholders. The Commission may, as circumstances warrant, consent to changes in the terms and conditions set forth in this Resolution in the event the Commission is advised of changes in the Project.

Section 4. Prior to the issuance of the Bonds, any material changes in the structure of the credit enhancement and not previously approved by the Commission shall require approval of the Commission Chair or the Executive Director.

Section 5. The Applicant is not authorized to use the Allocation transferred hereby to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer the Allocation to any governmental unit in the State other than this Commission.

Section 6. The potential Allocation transferred herein shall automatically revert to this Commission unless the Applicant has issued Bonds for the Project by the close of business within 90 days of the award of Allocation. In the case of extreme hardship, the Executive Director may extend this date by up to five (5) business days.

Section 7. Within twenty-four (24) hours of using the Allocation to issue the Bonds, the Applicant shall notify the Commission's staff and CDLAC's staff in writing (which may be by electronic or facsimile communication) that the Allocation has been used. Each notification to the Commission and to CDLAC shall identify the Applicant, the project or program, the date the Allocation was used, and the amount of the Allocation used.

Section 8. Within fifteen (15) calendar days of the issuance of the Bonds, the Applicant or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting, in a form prescribed by and made available by CDLAC a completed Report of Action Taken.

Section 9. Any differences between the amount of Bonds issued and the amount of the Allocation granted in Section 1 of this Resolution shall automatically revert to the Commission. If at any time prior to the expiration date set forth in Section 6 of this Resolution the Applicant determines that part or all of the Allocation will not be used to issue Bonds by that date,

the Applicant shall take prompt action by resolution of its governing board or by action of its authorized officer to return such unused Allocation to the Commission.

Section 10. The staff of the Commission is authorized and directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain, for the term of the Bonds, a copy of this Resolution in the Applicant's official records. The Commission staff is further directed to retain a copy of this Resolution in the files of the Commission (or any successor thereto) for the same period of time.

Section 11. In consideration of the potential Allocation to be transferred to the Applicant and the Project Sponsor, the Applicant and the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Applicant and the Project Sponsor expressly agree that the terms and conditions of this Resolution may be enforced by the Commission through an action for specific performance or any other available remedy, provided however, that the Commission expressly agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of the Bondholders. In addition, the Applicant and the Project Sponsor shall ensure that the Bond documents, as appropriate, expressly provide that the Commission is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 12. The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by the Commission.

Section 13. This Resolution shall take effect upon its adoption.

Attachment A

EXHIBIT A

**RESOLUTION NO: 08-0009A
(A SMALL-ISSUE INDUSTRIAL DEVELOPMENT PROJECT)**

1. Applicant: CSCDA
2. Application No.: 08-0009
3. Project Sponsor: Boxes R Us, Inc. and/or affiliates
4. Project User: Boxes R Us, Inc. and/or affiliates
5. Project Name: Boxes R Us, Inc., dba Ultimate Paper Box Company, Equipment Project
6. Address: 18731 Railroad Street
Location: City of Industry, CA 91748
County: Los Angeles County
7. Amount of Allocation: \$3,588,000
8. The Project Sponsor has represented that it reasonably expects the User will use its best efforts to achieve within two years of the completion of the Project the following:
 - Participation in the Los Angeles County Department of Public Social Services' Greater Avenues for Independence (GAIN) program; and,
 - The creation of 15 additional, direct fulltime jobs, including two management positions, six skilled/semi-skilled positions, and seven unskilled positions.

